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FARMERS' NEWSLETTER

Feed Grains



February 80/F-12

Now that the dust has settled a bit following the cutoff of export sales to the Soviet Union, the market outlook for feed grains looks about as strong as before.

This letter summarizes recent developments and looks at prospects for the next few months to help you sort through the options as you decide...

- whether to hold or sell any grain you still have, and
- how much and what crops to plant this year.

Prices Back on Track

The market price outlook for feed grains for this marketing year which ends in September is about the same as before the suspension of grain exports to the Soviet Union in early January.

Prices slipped some when markets reopened after the cutoff, but have recovered to pre-suspension levels at most major markets. Recovery has been slower, though, in some local markets.

Average farm prices for feed grains probably will be higher this marketing year than last:

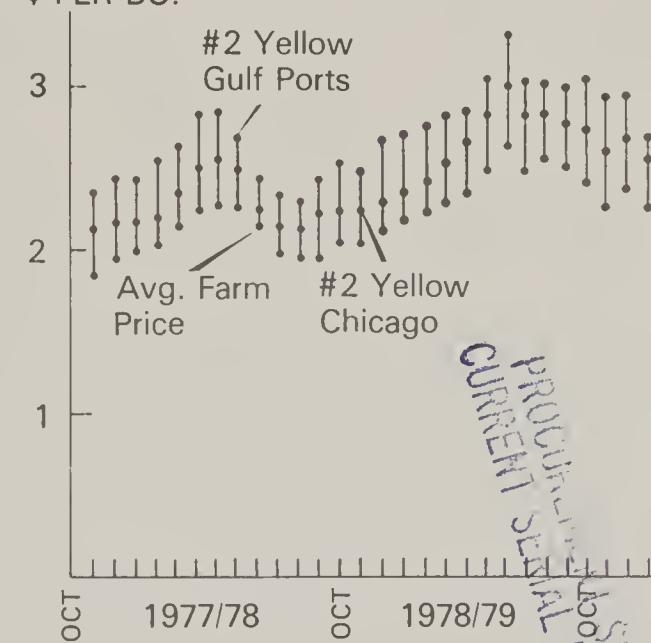
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The next feed grains newsletter is scheduled for early May.

CORN PRICES STAY STRONG

\$ PER BU.



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- Corn is expected to average \$2.25 to \$2.45 a bushel, compared with \$2.25 last year;
 - sorghum, \$2.15 to \$2.35, up from \$2.02;
 - barley, \$2.25 to \$2.35, up from \$1.92; and
 - oats, \$1.30 to \$1.40, compared with \$1.19.

These are national averages, so the prices you get for your grains may be higher or lower, depending on such things as how far you are from major markets, when you sell, and on any special circumstances that may affect your local price.

The export market looks good, too. Despite the suspension of sales to the Soviets, U.S. corn exports may reach 2,275 million bushels, up from

CORN SUPPLY, USE UP

| Item | October-September marketing year | | |
|----------------------------------------|----------------------------------|----------------------|--------------------|
| | 1978/79 | 1979/80 ¹ | Range ² |
| Million bushels | | | |
| Carryover, October 1 | 1,104 | 1,286 | |
| Production | 7,087 | 7,764 | |
| Imports | 1 | 1 | |
| Supply, total | 8,192 | 9,051 | |
| Domestic use: | | | |
| Fed to livestock and poultry | 4,198 | 4,350 | ±200 |
| Food, alcohol, industry and seed | 575 | 615 | |
| Total | 4,773 | 4,965 | ±200 |
| Exports | 2,133 | 2,275 | ±150 |
| Use, total | 6,906 | 7,240 | ±300 |
| Ending stocks | | | |
| "Free" | 646 | 811 | |
| Farmer-owned reserve and CCC inventory | 640 | 1,000 | |
| Total | 1,286 | 1,811 | ±200 |
| Farm price (dol. per bu.) | 2.25 | 2.25-2.45 | |

¹ Preliminary. ² Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

the record 2,133 million shipped last year.

What's Being Done

The Government has acted to help protect farmers from the otherwise price-depressing impact of the export suspension.

- To offset the initial impact on grain prices, the Government offered to buy the grain previously destined for the USSR.

The Commodity Credit Corporation (CCC) will assume contractual obligations on up to 10 million tons--about 394 million bushels--of corn that exporters had committed for sale to the Soviet Union. These assumptions will be made at the contract price minus any costs that had not already been paid.

This action prevents exporting firms from being forced to dump grain on the market to pay off loans that financed the contracts. Otherwise, prices would topple at all stages of the marketing system, clear down to the local elevators where you sell your grain.

The CCC may either sell the export contracts or take physical delivery of the corn. Contracts that are assumed will be sold only if the farm price is above the January 4 level of about \$2.40 a bushel.

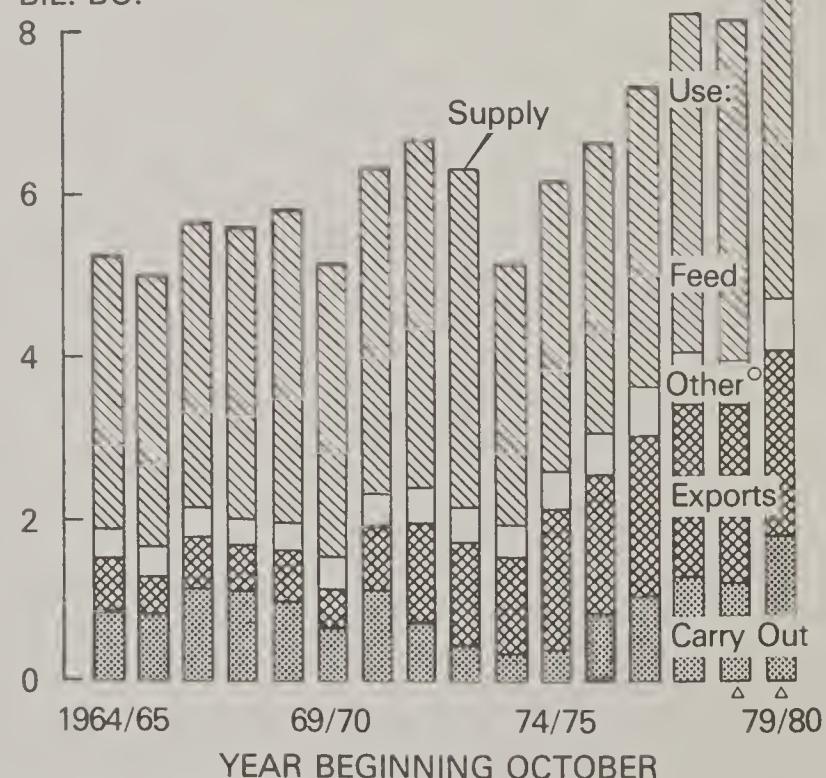
If the CCC takes delivery, it may not sell the corn at a price lower than the equivalent of \$3.15 at the farm, because the CCC is required by law not to sell feed grains for less than 150 percent of their loan rates as long as a farmer-owned reserve is in operation.

- To encourage farmers to put additional grain into the reserve rather than on the market, the Government raised 1979 loan rates.

If you signed up and complied with the 1979 feed grain program, you're

CORN USE TO RISE

BIL. BU.



¹ ESTIMATES AND FORECASTS AS OF LATE JANUARY. ² INCLUDES CORN USED FOR FOOD, SEED, AND INDUSTRY.

eligible to put your crops under Government loan and in the farmer-owned reserve.

Raising loan rates for the price support loan and reserve programs will hold more grain off the market. As grain is placed in the reserve, the free supply--what's available to the commercial market--will decline, thereby bolstering prices.

The new 1979 national average loan rates are \$2.10 per bushel for corn, \$2.00 for sorghum, \$1.71 for barley, and \$1.08 for oats.

If you already have a loan on your 1979 crops, you can go to your ASCS office and increase it in line with the new rates. These rates will apply for 1980 crops as well.

The higher loan rates automatically raise the release and call prices for grain in the farmer-owned reserve. For corn, the new release price is \$2.63 per bushel, up from \$2.50. The call price is \$3.05, up from \$2.80.

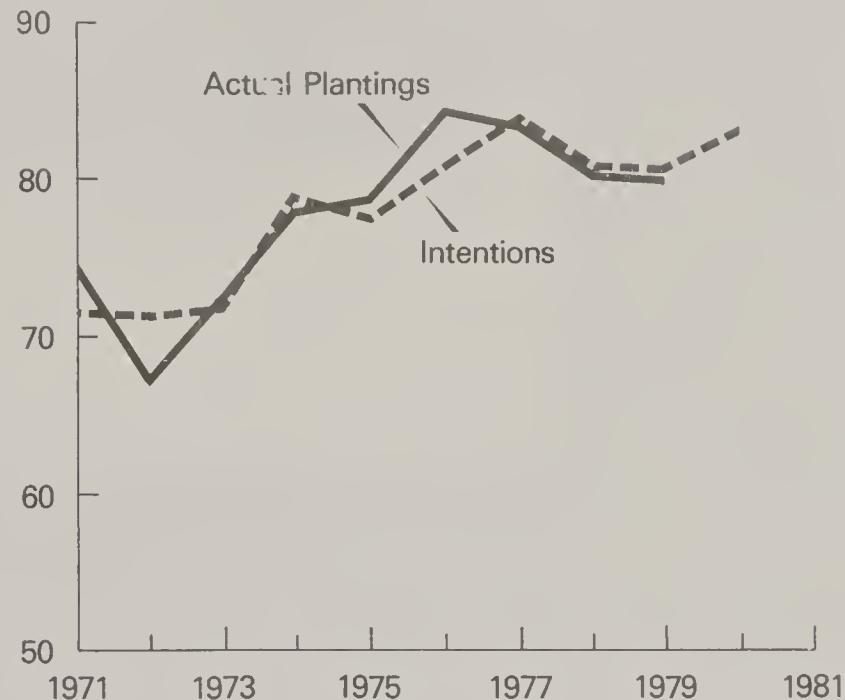
FEED GRAIN STOCKS AT RECORD LEVEL¹

| | 1978/79 | 1979/80 | Projected Range ² |
|---------------------------------|---------------------|---------|------------------------------|
| | Million metric tons | | |
| Beginning stocks | 41.2 | 45.9 | |
| Production | 217.4 | 233.9 | |
| Imports | 0.3 | 0.2 | |
| Supply, total | 258.9 | 280.0 | |
| Feed and residual | 133.1 | 136.9 | +6.0 |
| Food, seed, and industrial uses | 19.7 | 20.7 | |
| Domestic use, total | 152.8 | 157.6 | ±6.0 |
| Exports | 60.2 | 65.9 | ±5.0 |
| Use, total | 213.0 | 223.5 | +9.0 |
| Ending stocks | 45.9 | 56.5 | ±6.0 |

¹ Marketing year beginning October 1 for corn and sorghum; June 1 for barley and oats. ² Chances are about 2 out of 3 that the outcome will fall within the indicated range.

JANUARY CORN INTENTIONS UP FROM YEAR AGO

MIL. ACRES



If you already have grain in the reserve, you have the option of signing a new 3-year agreement with the higher call prices.

Also, annual storage payments for all grain in the reserve except oats have been raised from 25 cents to 26-1/2 cents a bushel. Storage payments for oats were raised a penny a bushel to 20 cents.

Finally, first-year interest charges are waived for the next 13 million tons (512 million bushels) of corn put in the reserve after January 7.

A regular loan or a reserve loan may help if you need cash and want to hold your grain in the hope of getting a higher price later. This may be particularly useful in areas where market prices are near loan rates because of transportation difficulties and high costs of moving grain to market.

If you placed corn in the reserve between October 22, 1979, and January 7, 1980, you are eligible to have interest charges waived on the first year of your loan. Interest to be waived is that which accrued beginning

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January 7. You'll still owe interest charges accrued before that date.

If you qualify, and want to have your interest waived, you must contact your ASCS office and sign a reserve agreement on the new terms.

More Acreage This Year?

Farmers in 34 States surveyed around January 1 said they planned to increase their 1980 feed grain plantings by 3 percent over 1979. They expected to up their acreage for all feed grains except oats, which they planned to cut 5 percent.

Of course, farmers often adjust their plans as planting time nears. Another Prospective Plantings report will be issued on April 17. It will cover 48 States.

No Set-Aside, But Paid Diversion Might Be Offered

There's no set-aside requirement for the 1980 feed grain program. All farmers who produce corn, barley, or sorghum this year are eligible for target price protection, loans on their crops, and participation in the

farmer-owned reserve. Oat producers will be eligible for loans and the reserve program.

Preliminary target prices for feed grains in 1980 will be announced by March 15. The Administration has supported legislation which would raise the 1980 target prices to \$2.35 per bushel of corn, \$2.50 for sorghum, and \$2.55 for barley. This legislation also would continue the disaster program for 1980 crops.

To qualify for full target price protection, you cannot plant more acres to corn, sorghum, or barley than you planted, set aside, and diverted from these crops in 1979.

If you do plant more, your eligibility for any target price payment will be subject to an allocation factor that may reduce your payments by up to 20 percent.

A voluntary paid acreage diversion program will be offered if it looks like U.S. grain production this year would be too large relative to world demand prospects. The decision to have a paid diversion or not will be announced before March 1.